

# MEMO

**DATE:** September 2, 2004

**TO:** The Energy and Environment Committee (EEC)

**FROM:** Charlotte Pienkos, Government Affairs Analyst  
Phone: (213) 236-1811 E-Mail: [eckelbec@scag.ca.gov](mailto:eckelbec@scag.ca.gov)

**SUBJECT:** AB 2006 (Nunez) The Reliable Electric Service Act of 2004

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## SUMMARY:

AB 2006, the Reliable Electric Service Act of 2004, introduced by Assembly Speaker Fabian Nunez (D-Los Angeles) and sponsored by Southern California Edison, attempts to continue the legislative reforms initiated after the electricity crisis of 2000-2001. The bill clarifies an investor-owned electric utility's obligation to serve direct-access customers, what costs it may recover in regard to new generation resources, and specifies long-term planning in which an IOU must engage. No longer included in AB 2006 are provisions relating to core/non-core issues.

## BACKGROUND:

The historical mandate of the California Public Utilities Commission (CPUC) was to protect the public from excessive rates charged by the public utilities in light of their monopoly powers. With deregulation and the desire to cultivate wholesale and retail competition, the CPUC compelled investor-owned electric utilities (IOUs) to sell off power plants needed to serve their customers, leaving IOUs to buy power through spot markets.

During the electricity crisis, long-term, bilateral contracts between generation resources and IOUs were seen as the way to stabilize high prices. The CPUC was required to review any of these contracts for reasonableness, which IOUs considered a deterrent because the recovery of costs might be disallowed. It was also during this time that the Department of Water Resources negotiated long-term contracts for IOUs for energy resources.

In 2003, to assist IOUs in resuming their own procurement, the Legislature passed AB 57 to ensure IOUs could recover procurement expenses if the procurement was consistent with CPUC-approved plans. The law pertained only to wholesale procurement and did not address other costs, such as investments in IOU-owned generation.

AB 2006 attempts to continue the legislative reform that followed the crisis; over the months since its introduction, however, the bill has been extensively amended, even as late in the legislative session as August 9<sup>th</sup>, and the final shape of the AB 2006 is unknown at this time. The gist of the bill, although now uncoupled from core/non-core issues, has been consistent in its focus on the financial incentives needed by IOUs to meet load requirements over the long-term.

AB 2006 makes the following changes in each of the areas below:



**SOUTHERN CALIFORNIA  
ASSOCIATION of GOVERNMENTS**

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**Obligation to Serve:** The bill restates and further specifies an IOU's obligation to plan for and provide to its customers reliable electric service. AB 2006 clarifies that IOUs have no obligation to buy electricity or meet resource adequacy requirements for a direct-access customer (one who contracts for service with a third-party electricity provider). The bill requires costs incurred to implement direct-access to be recovered from direct access customers, thereby preventing cost-stranding or cost-shifting.

**Cost Recovery:** AB 2006 requires the CPUC to approve and maintain rates sufficient to ensure that an IOU fully recovers both its initial capital investment in new generation resources and its costs of contracting for generation resources with another entity, including collateral requirements and debt equivalence associated with the contract.

**Long-Term Planning:** AB 2006 requires each IOU to prepare a long-term integrated resource plan (IRP) every three years to achieve a diversified portfolio of resources to serve its customers. The IRP must include 5- and 10-year forecasts and identify needed resources. The CPUC must review and approve the IRP, and may make revisions it determines necessary.

The IRP must also provide for investments in energy efficiency and load management resources that compare favorably to supply alternatives in terms of costs, environmental improvements and reliability. Furthermore, the IRP must provide for investments in necessary generation resources, including contracts for existing, new, re-powered or co-generation projects. The IRP may provide for investments in distributed generation resources under specified conditions related to improving reliability and deferring traditional distribution investments.

AB 2006 requires an IOU, through its IRP, to meet resource adequacy requirements for the electric load of its customers through a portfolio of contracted-for generation and IOU-owned generation, combining the potential benefits of a competitive wholesale market, and including operating efficiencies and lower prices, with the stability of cost-of-service generation resources, to achieve the "best value" for ratepayers at just and reasonable rates.

**Transmission:** AB 2006 requires the CPUC to prepare a plan to streamline the siting process for transmission projects and a report on the status of pending transmission projects by July 1, 2005.

**Resource Adequacy:** The bill requires all load-serving entities except municipal utilities and customer generators to meet the same requirements for resource adequacy and resource diversity as applicable to IOUs. The cost of meeting resource adequacy requirements is to be equitably recovered from all customers through CPUC-approved rates.

**Rates:** AB 2006 authorizes the CPUC to order an IOU to offer discounted rates to large manufacturing customers if the CPUC determines those customers face a competitive disadvantage compared to others states' electricity rates.

**AB 2006 (Núñez) The Reliable Electric Service Act of 2004**, will accomplish the following critical objectives to ensure Californians receive reliable and affordable electric service:

- **Ensure Reliable Electric Service** by requiring investor-owned utilities and electricity service providers to meet stringent reliability requirements. The bill provides that such requirements ensure system and local area reliability as well as provide for investment in new generation. The PUC is charged with establishing and enforcing such requirements.
- **Ensure Adequate Investment** by ensuring that costs to bring power on-line are recoverable in rates, but only if those costs are found reasonable by the PUC. This rule would apply both to direct investments by utilities as well as the costs of contracting for power with third parties.
- **Guide Utility Planning** by specifying that utilities' long-term integrated resource plans identify all cost-effective energy efficiency and load management options, as well as ensuring renewable requirements are met as well as ensuring that overall resource adequacy requirements are met. The bill specifies that the PUC must find that there is an optimal mix of both utility and independent generation that provides best value to customers.
- **Address Rate Equity** by requiring the PUC to report to the Legislature whether or not rates are allocated across customer classes on a cost-of-service basis. In addition, the bill authorizes the PUC to offer rate discounts to large manufacturing customers if it finds they are at a competitive disadvantage vis a vis their out-of-state competition.

## **AB 2006 (Núñez)** **“Reliable Electric Service Act of 2004”**

### **California’s Energy Future Uncertain**

There is a matter of urgency facing California's electricity consumers. Just three short years ago, an energy crisis crippled this state. Rolling blackouts and price spikes threatened the economic well being of California consumers and businesses. Today, California's energy future is uncertain.

The California Energy Commission (CEC) forecasts a need for new generation capacity to be on-line beginning summer of 2006 to ensure electric system reliability. The Independent System Operator (ISO) believes that the state could experience reserve capacity shortages as early as summer of 2004.

However, new generating capacity is not being built, and existing generating capacity is being taken out of service.

**New Generating Capacity Approved, But Not Yet Online:** Nearly 10,000 MW of generating capacity has been licensed by the CEC, but only 3,000 MW are currently under construction and on schedule.

**Aging Generating Capacity at Risk:** Over 20,000 MW of existing generating capacity has been divested by utilities. This capacity is over 35 years old and is less efficient and more costly to operate than new generation. Less than 5,000 MW are currently under long-term contracts. Plant owners have announced plans to mothball 824 MW of existing generating capacity in Southern California this year. The ISO estimates that an additional 3800 MW of existing generating capacity are at risk.

Regulatory uncertainty and market instability continues to stifle new investment in generating capacity and threatens the economic viability of existing generating capacity. To successfully attract investment, the current uncertain regulatory framework must be replaced with a clear, durable framework so that efficient, cost-effective supply and demand resources are acquired at prices California consumers and businesses can afford.

### **Investing in California’s Energy Future**

California consumers and businesses depend on safe, reliable, and affordable electric service. To meet customer needs reliably, California must now invest in new generating capacity. The key to those investments will be a clear, durable framework which includes workable competitive wholesale and retail markets.

The financial markets will not today, or in the foreseeable future, support new power plant construction in the absence of regulatory certainty and market stability. Investment is necessary and essential to ensure that adequate, efficient, cost-effective supply and demand resources are available to reliably serve customers at reasonable cost.

Investment requires long-term commitments to facilitate financing, which in turn require cost recovery assurance, a stable and predictable customer base, and resource adequacy requirements that apply equally to each load serving entity.

### **Consequences of Inaction**

The consequences of inaction are well known and deeply felt: volatile energy prices, rolling blackouts and the signing of long term contracts under duress, resulting in billions of excess energy costs for consumers and businesses. It is in the interest of California consumers to act expeditiously and deliberatively to ensure adequate investments are made in cost effective supply and demand resources to reliably meet the needs of California consumers.

## **AB 2006 (Núñez) the “Reliable Electric Service Act”**

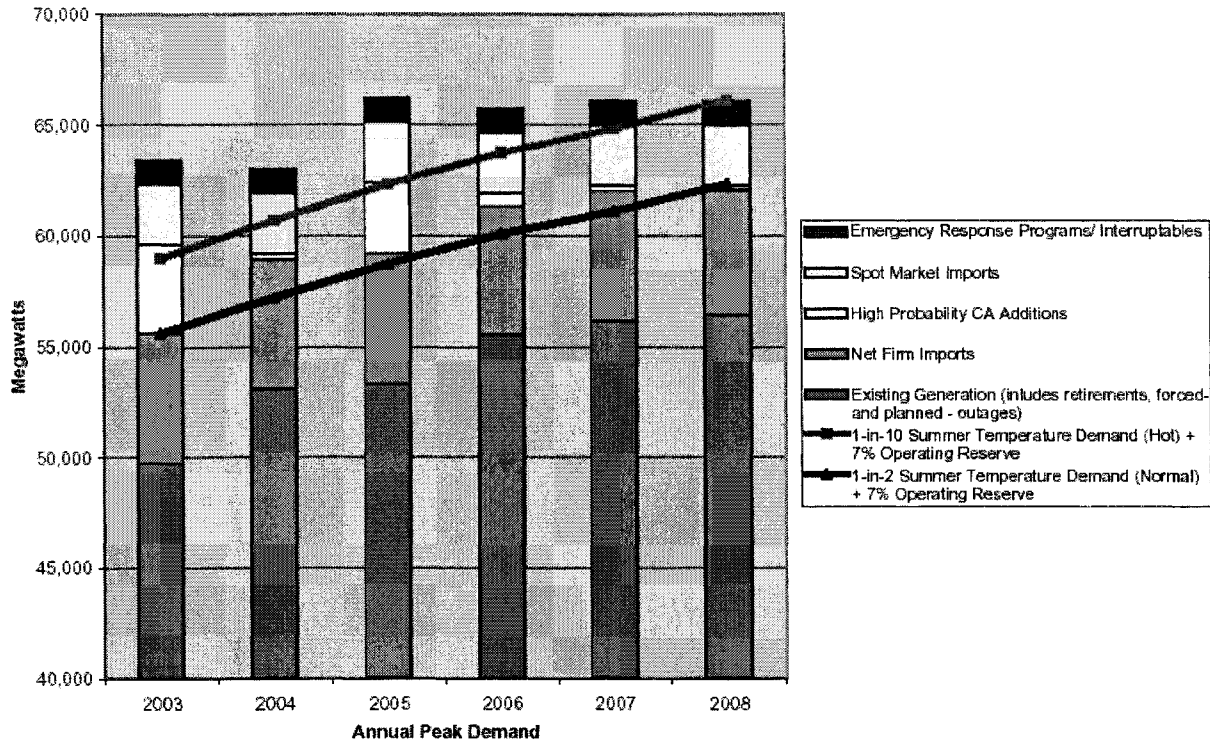
AB 2006, the “Reliable Electric Service Act” creates a clear, durable regulatory framework to stimulate much needed investment in efficient, cost-effective supply and demand resources. AB 2006 would affirm the utility obligation to provide reliable, reasonably priced electric service, provide for the recovery of reasonable investments, ensure that investments provide the best value to ratepayers, provide choice to large customers, and create workable competitive wholesale and retail markets. Specifically:

- **Section 400.1 Obligation to Provide Reliable, Reasonably Priced Electric Service**  
In order to ensure that customers receive reliable, reasonably priced electric service, AB 2006 affirms the utility obligation to plan and provide adequate, efficient, cost effective supply and demand resources
- **Section 400.5 Cost Recovery Assurance for Needed Investments**  
In order to attract sufficient capital to make investments in needed resources to serve utility customers, AB 2006 requires the CPUC to establish and thereafter maintain rates that ensure the full recovery of utility investments found reasonable, and the full cost of contracting for non-utility generation including debt equivalence and collateral.
- **Section 400.10 Long-Term Resource Plan**  
In order to ensure that adequate investments are made to reliably serve utility customers at reasonable costs, AB 2006 requires utilities to prepare a long-term resource plan to achieve a diversified portfolio of cost-effective supply and demand resources.
- **Section 400.15 (a) Resource Selection Process to Achieve “Best Value” for Consumers**  
In order to optimize investment on behalf of utility customers, AB 2006 provides that the process for utility selection and CPUC approval of resources be designed to achieve best value for consumers considering price, reliability, stability, efficiency, cost effectiveness, system impacts, resource diversity, and risk.
- **Section 400.15 (b) Diversified Portfolio**  
In order to ensure that ratepayers receive best value, AB 2006 requires each utility to manage a diversified portfolio of non-utility owned generation under contract and utility owned generation, combining the potential benefits of a competitive wholesale market with the stability of cost of service generation.
- **Section 400.15 (c) Wholesale Market Structure**  
In order to achieve best value for ratepayers, AB 2006 provides that investments in generation are to be obtained through competitive solicitations for non-utility generation, bilateral contracts for non-utility generation, and from commission approved cost of service utility owned generation.
- **Section 400.18 Transmission Need Determination**  
In order to eliminate duplication and facilitate investment in needed transmission, AB 2006 provides that the ISO determination of need for transmission facilities is conclusive for purposes of a CPCN need determination.
- **Section 400.21 Retail Market Structure: Core / Non-Core**  
In order to ensure that adequate investments are made without creating stranded costs or shifting costs among customers, AB 2006 creates a “core / non-core” retail market structure whereby utilities are obligated to provide service to small customers with maximum peak demand less than 500kW (“core”) on a cost-of-service basis while large customers with maximum peak demand higher than 500kW (“non-core”) could elect Direct Access from a competitive non-utility electric service provider.
- **Section 400.22 Resource Adequacy / Public Policy Preferences Apply Equally**  
In order to ensure that all energy customers contribute equitably to investments in resources needed to serve them, AB 2006 requires all load-serving entities, including non-utility electric service providers and community choice aggregators, to meet the same requirements for resource adequacy, resource diversity, and renewable portfolio standard as electrical corporations.

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AB 2006 requires the CPUC to establish resource adequacy requirements, and for the ISO to implement and enforce the requirements in a nondiscriminatory manner on all load serving entities. AB 2006 provides

### Supply Demand Balance for 2003 - 2008



Source: California Energy Commission , "California's 2003 Electricity Supply and Demand Balance and Five-Year Outlook," 5/20/03.

### Energy Facility Status

Approved / Under Construction	Status	Capacity (MW)	Construction Completed (percent)	Location	Date Approved	Original On-line Date	Current On-line Date
Pico Power Combined Cycle - Silicon Valley Power	Construction	147	10	Santa Clara Co.	9/9/2003	12/04	12/04
Modesto Irrigation District - RIPON Simple Cycle	Financing	95	0	San Joaquin Co.	2/4/2004	3/05	3/05
Magnolia - SoCal Power Authority	Construction	328	25	Los Angeles Co.	3/5/2003	5/05	5/05
SMUD Combined Cycle Phase I	Construction	500	5	Sacramento Co.	9/9/2003	6/05	6/05
Metcalf - Calpine	Construction	600	15	Santa Clara Co.	9/24/2001	7/03	7/05
City of Vernon Combined Cycle	Construction	134	3	Los Angeles Co.	5/20/2003	11/05	11/05
Salton Sea Geothermal	Financing	185	0	Imperial Co.	12/17/2003	1/06	1/06
Mountainview - Intergen (SCE)	Re-Financing	1,054	15	San Bernardino	3/21/2001	6/03	4/06
Pastoria - Calpine	Construction	750	65	Kern Co.	12/20/2000	1/03	6/05
Palomar Escondido - Sempra	Financing	546	0	San Diego Co.	8/6/2003	8/05	8/05
San Joaquin Valley Energy Center - Calpine	On Hold	1,087	0	Fresno Co.	1/14/2004	1/06	On Hold
Otay Mesa - Calpine	Const. on hold	510	7	San Diego Co.	4/18/2001	7/03	Unknown
East Altamont - Calpine	On Hold	1,100	0	Alameda Co.	8/26/2003	7/03	Unknown
Western Midway-Sunser - Mission	On Hold	500	0	Kern Co.	3/21/2001	7/03	Unknown
Contra Costa - Mirant	Const. On Hold	530	7	Contra Costa	5/30/2001	8/03	Unknown
Three Mountain - Covanta	On Hold	500	0	Shasta Co.	5/16/2001	12/03	Unknown
Russell City - Calpine	On Hold	600	0	Alameda Co.	9/11/2002	12/04	Unknown
Valero Cogen. Unit 2	On Hold	51	0	Solano Co.	10/31/2001	12/02	On Hold

Approved Total 10,280  
Construction On Schedule Total 3,043  
Approved On Hold 5,548

Color Key
On Schedule
On-line Date is expected to be delayed beyond the date shown. Developers report that new on-line date will be determined when markets are favorable and financing is available
On hold or Suspended

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**AB 57 vs AB 2006  
Complementary Elements  
For an Integrated California Energy Framework**

Energy Framework Element	AB 57	AB 2006	Comments
• <b>Obligation to Serve</b>	No	Yes	AB 2006 affirms utility obligation to provide reliable, reasonably priced service for its customers.
• <b>Long-Term Resource Plan</b>	No	Yes	LTRP provides overall portfolio goals, objectives, and resource options.
• <b>Procurement plan (PP)</b>	Yes	Yes In accordance with AB 57	PP provides AB 57 upfront achievable standards and criteria for contracting for resources. CPUC approved LTRP goals and objectives to be implemented through CPUC approved PP.
• <b>Cost recovery</b> Third Party Contracts	Yes Partial Cost	Yes Full Cost Debt equivalence Collateral	<b>AB 57</b> provides overall framework for contract cost recovery. <b>AB 2006</b> specifies that debt equivalence and collateral are costs of contracting. <b>AB 2006</b> requires the commission to establish and maintain rates sufficient to fully recover full cost of contracting.
• <b>Cost recovery</b> Utility Direct Investment	No	Yes	<b>AB 2006</b> requires the commission to establish and maintain rates sufficient to fully recover utility investments found reasonable, and provides a reasonable opportunity to fully recover commission authorized return on investment.
• <b>Diversified Portfolio</b> Non-utility and utility owned	Yes short-term and long-term products	Yes non-utility-owned market based contracts and utility-owned cost-of-service generation	<b>AB 2006</b> requires utility to manage diversified portfolio of non-utility owned and utility owned generation combining the potential benefits of a competitive wholesale market such as operating efficiencies and lower prices, with the stability of cost of service generation.
• <b>Customer Base Stability</b> Core Noncore Market	No	Yes	<b>AB 2006</b> creates a core noncore market whereby non-core customers (large customers > 500 kW) could choose to purchase electricity from a non-utility electric service provider. Core customers receive reliable service at regulated rates.
• <b>Resource Adequacy</b>	No	Yes	<b>AB 2006</b> provides that RAR apply equally to all LSE's. <b>AB 2006</b> defines RAR: adequate physical generating capacity, where and when it is needed to ensure local and system reliability. <b>AB 2006</b> provides that all customers pay pro rata share of RAR

COMMITTEE ON ENVIRONMENTAL QUALITY

Legislative Agenda

March 2004

San Jose

(\* proposed consent item)

**ENERGY AND UTILITIES**

**1. AB 2006 (Nunez). Electricity Restructuring.**

**Description:** One of the central elements of California's experiment with electricity restructuring was direct access, where electricity users could purchase power from third parties other than their existing investor owned utility. Another element was the requirement that California's investor owned utilities sell a portion of their generating capacity so they could not exercise market power inappropriately. When the state began purchasing power on behalf of the utilities, the PUC prohibited new direct access arrangements in order to ensure that the state's costs were recovered. Currently, the only new direct access opportunities permitted are those undertaken by cities and counties if they decide to pursue community choice aggregation and purchase power on behalf of all of their residents and businesses.

Although the 2001 energy crisis is "over", many observe that California still has not invested properly in new generation or transmission capacity to meet future needs. According to information provided by Southern California Edison (SCE), nearly 8000 MW of generating capacity has been licensed by the California Energy Commission, but only 2900 MW are currently under construction and on schedule. In addition, the existing power generating system is aging. Finally, investment needs to be made in upgrading and expanding California's transmission system. Many observe that to ensure a reliable and stable energy system, California must invest in new power plants, upgrade or repower existing generating plants, and invest in the transmission system.

This measure would enact the Reliable Electric Service Act of 2004. The purpose of AB 2006, according to SCE and the author's office, is to establish a framework which will encourage investment in new and upgraded energy infrastructure. It would apply only to investor owned utilities, not municipal utilities. The bill would provide that in order to ensure that adequate investments are made to meet the utility's obligation, each utility would be required to prepare an integrated resource investment plan to achieve a diversified, environmentally sustainable portfolio of utility-owned and procured efficient, cost-effective supply and demand resources. And, in order to optimize investment, the process for utility selection and California Public Utility Commission approval of investment in these resources must be designed to achieve "best value" for consumers, considering efficiency, cost effectiveness, system impacts, resource diversity, and risk.

AB 2006 also would establish a core and non-core customer model in which customers using great than 500 MW peak demand could purchase power through direct access. Customers with 500 MW peak demand generally are very large industrial users of electricity. The existing utility would be required to serve all remaining customers. Cost shifting as a result of non-core customers leaving would be prohibited. In order to ensure that adequate investments are made to reliably serve core customers at reasonable cost,

Last year, several bills were introduced to revisit California's experiment in electricity restructuring (they stalled) and this year, several spot bills have been introduced. The League did not get involved in the debate last year, except to ensure that the bills did no harm to options for cities to undertake community choice aggregation. According to the author's office, AB 2006 has no intentional impacts on municipal utilities or community choice aggregators. SCE has indicated that if there are unintended impacts, that



they will be fixed. Large energy users as well as independent power providers (i.e., merchant generators who purchased utility generating assets or have built their own plants) likely would prefer either unlimited direct access opportunities or a lower threshold than 500 MW for core/non-core customers.

**Issue:** What position, if any, should the League take on AB 2006? Is there a need to re-establish a structure that encourages responsible investment in energy infrastructure, and if so, does the system proposed in AB 2006 make sense? Is it appropriate to re-authorize limited opportunities for direct access for very large customers, and require the existing utility to continue to serve remaining customers, as the core/non-core model proposes (except those who are part of a community choice aggregation system undertaken by a city or county)? Or, should all users, regardless of size, be eligible for direct access?

**Staff Recommendation:** Support in concept. While the League has not taken a position in the past on core/non-core proposals, as included in AB 2006 such a bifurcation is reasonable and safeguards against cost shifting are firmly included in the bill. In addition, investment in California's electricity infrastructure is vital to ensure a safe, stable, reliable, sustainable and environmentally sound energy system. Staff should work with author and others to ensure that the bill has no intended or unintended detrimental impacts on community choice aggregation or municipal utilities. The League should not take a position on whether or not the 500 MW threshold is too high, too low, or just right.

April 13, 2004

The Honorable Speaker Fabian Nunez  
State Capitol, Room 219  
Sacramento CA 95814

RE: AB 2006 (Nunez). Electricity.

**NOTICE OF LEAGUE PRELIMINARY SUPPORT IN CONCEPT**

Dear Speaker Nunez:

On behalf of the League of California Cities, I am pleased to inform you that the League has adopted a preliminary support in concept position on your AB 2006. This preliminary position was adopted by the League's Environmental Quality Policy Committee in mid-March and must be confirmed by our Board of Directors at their meeting later this week. However, since the bill will be heard Monday April 19 in the Assembly Utilities and Commerce Committee, we want to share our preliminary position with you now.

AB 2006 would establish the "Reliable Electric Service Act of 2004". It would put in place a number of important procedures that would facilitate and encourage investment in California's energy infrastructure – including generation and transmission facilities – in order to promote stable and reliable electric service in the future. The bill also would establish a procedure for very large electricity users to purchase power from a third party through direct access. This core/non-core approach, however, would be permitted only if the transaction does not result in stranded costs or cost-shifting.

AB 2006 would establish requirements of the investor owned utilities to plan for the future, while at the same time requiring them to invest in renewable, sustainable and diversified power. It would establish criteria for re-powering existing plants and maintain the requirements in existing law for renewable energy. Importantly, the bill does not impinge upon the ability of municipal electric utilities to provide service to their customers.

The League supports the concepts included in AB 2006 because we understand that California's economy and the welfare of our communities depend upon a reliable and stable energy supply. Clearly, California does not want to repeat the crisis situation that occurred in 2001 as a result of a failed restructuring system. AB 2006 would establish a framework to encourage investment in efficient and cost-effective energy infrastructure and the needed financing for that infrastructure.

The League looks forward to working with your office and the sponsor, Southern California Edison, as the bill moves forward. We anticipate taking a formal support position after review of subsequent amendments as the bill moves along.

Sincerely,

Yvonne Hunter  
Legislative Representative

Cc: Members and Consultant, Assembly Utilities and Commerce Committee

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July 12, 2004

**To: CRES members and other AB 2006 supporters**

**Fr: Jim Conran**

**Re: AB 2006 –Taking Control of Our Energy Future!**

California Small Business Association

Consumers First

Consumers Coalition of California

California Senior Action Network

Congress of California Seniors

Planning and Conservation League

San Gabriel Regional Mountains Conservancy

National Coalition of Hispanic Organizations

California Black Chamber of Commerce

Orange County Black Chamber of Commerce

Asian Business Association of Los Angeles

I want to again thank all of you for your support of AB 2006 and your participation in the legislative process. The diverse and broad based support for the bill has helped remind legislators that reliable and affordable power is important to residents and small businesses, and we want action taken to prevent another out of control energy market – before it's too late.

It has been dumbfounding to watch opponents of AB 2006 – led by unregulated power generators – attempt to argue **against** the need for legislation. They point to existing legislation and various CPUC activities underway as sufficient action to take control of our energy future.

Of course, it is the very companies who stand to benefit financially from an unstable energy market, who are advocating against the need for legislation and grossly misrepresenting AB 2006. They cloak their opposition under the guise of concern that regulated utilities will assume responsibility for building “all the power generation in the state” – and somehow charge too much. It is humorous at best, and insulting at worst that the very companies who thought it was acceptable to rip Californians off to the tune of \$9 billion over a handful of months and charge “whatever price the market would bear” for the essential commodity of electricity are now trying to prohibit utilities from being able to provide a small portion of the state’s power needs under regulated, cost-of-service rates.

I am confident that memories from the energy crisis and the brash examples of market manipulation are too fresh in the minds of legislators and the Governor to be fooled by misleading and self-serving rhetoric. The simple fact is, California residents, businesses and our economy need AB 2006. **We need a law to:**

♦ **Safeguard against market manipulation** by ensuring that neither utilities nor unregulated generators can dominate and control our state’s power needs. **AB 2006 would require** that California’s future power needs be met with a mix of cost-based generation provided by utility owned plants under rigorous regulatory scrutiny, combined with power secured from independent power generators through a competitive bidding process. Shared responsibility will provide comparative benchmarks and prevent inflated pricing by either unregulated power generators or investor owned utilities.

Californians for Reliable Electric Service  
1121 L Street, Suite 803, Sacramento, California 95814  
(916)443-0872 phone (916) 442-3510 fax  
[www.4reliability.org](http://www.4reliability.org)

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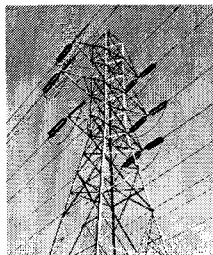
- ♦ **Require all companies that sell power be required to maintain a certain percentage of reserve power** – to ensure the state has sufficient supplies of power at all times and the cost of reserve power is spread out among all customers statewide, not just a few. **AB 2006 would require** the CPUC to establish resource adequacy requirements in a nondiscriminatory manner on the regulated utilities and independent third party energy providers to ensure the power is there at all times, especially the hot summer months when demand on the electric system is greatest...and at the least cost to ratepayers.
- ♦ **Protect small electricity customers from cost shifting** in the event some large energy users choose to buy power from non-utilities. **AB 2006 ensures** residents and small businesses will be protected from potential cost shifting resulting from larger customers choosing to leave their utility and be served by a third party energy provider.

I look forward to continuing to work with you to secure passage of AB 2006 when the legislature returns in August. "Power at any price" is not a plan, and not an option. We need to make sure we are in control of our state's energy future and those who sell energy to Californians never again have more leverage than those of us who ultimately pay for it.

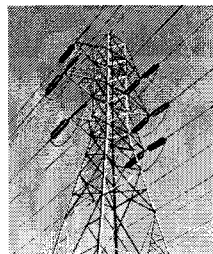
Thank you, again, for your time and involvement.

A handwritten signature in black ink that reads "Jim Conran". The signature is written in a cursive, flowing style.

Jim Conran  
President, Californians for Reliable Electric Service

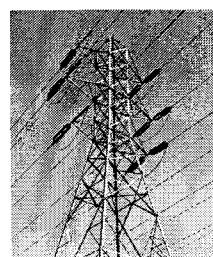


# There ought to be a law...



*When* the people of California know that the problems of the power crisis are not yet behind us, and the potential for another lies dead ahead . . .

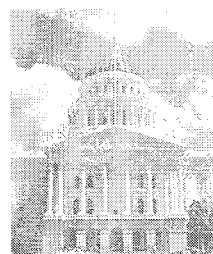
*When* our safety and quality of life in California have been held in foul contempt by generators and traders of an indispensable product . . .



*When* the opportunism and greed of an unscrupulous few can place the reliability of our electric service in continuing jeopardy . . .

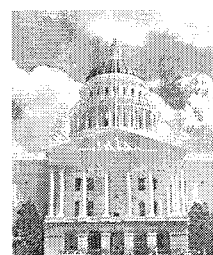
*And when* the ongoing regulatory uncertainty in our state makes power shortages, price spikes, and market manipulation a future certainty . . .

. . . then there ought to be a law — capable of protecting California consumers and our system of electric service from ever being victimized again by an out-of-control electricity market!

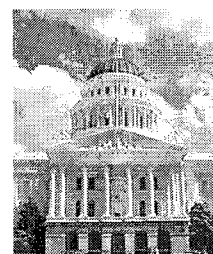


## Assembly Bill 2006 is that law.

AB 2006 encourages investment in new power supplies, protects utility customers, and guards against market fraud — while giving large power users the kinds of choices they need to help keep our economy growing.



## Please Join Us in Supporting AB 2006!



California Senior Action Network • Congress of California Seniors •  
 California Small Business Association • Consumers First • California Labor Federation, AFL-CIO •  
 Planning Conservation League • National Coalition of Hispanic Organizations •  
 California Black Chamber of Commerce • Antelope Valley Hispanic Chamber of Commerce •  
 Black Business Association • Korean American Federation of Los Angeles •  
 National Korean American Grocers Association • Culver City Chamber of Commerce •  
 Hanford Chamber of Commerce • Tulare/Kings Hispanic Chamber of Commerce •  
 American Indian Chamber of Commerce of California • Hemet/San Jacinto Chamber of Commerce •  
 Industry Manufacturers Council • San Bernardino Area Chamber of Commerce •  
 Palos Verdes Chamber of Commerce • CHARO Community Development Corp. •  
 San Gabriel Mountains Regional Conservancy • Rosemead Chamber of Commerce •  
 Asian Business League of Southern California • Chinatown Service Center •  
 Filipino American Service Group, Inc. • East Los Angeles Chamber of Commerce •  
 Milk Producers' Council • National Association of Women Business Owners - Orange County •  
 California State Conference of the NAACP • Consumers Coalition of California •  
 Latin Business Association •

Californians for Reliable Electric Service  
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